

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES  
DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

**Supplement A**  
**Recent economic trends**  
No 4 – April 1992

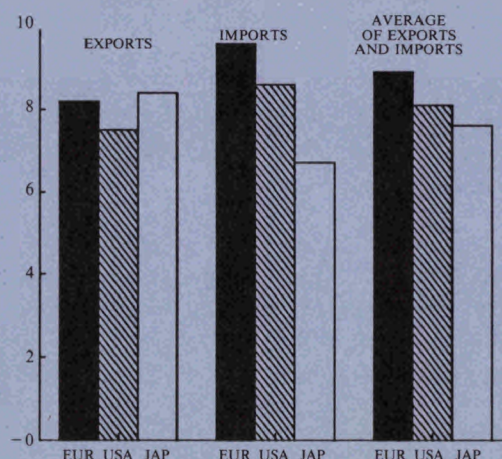


*In this number:  
The degree of openness of the  
economies of the Community, the  
United States and Japan*

## SUMMARY

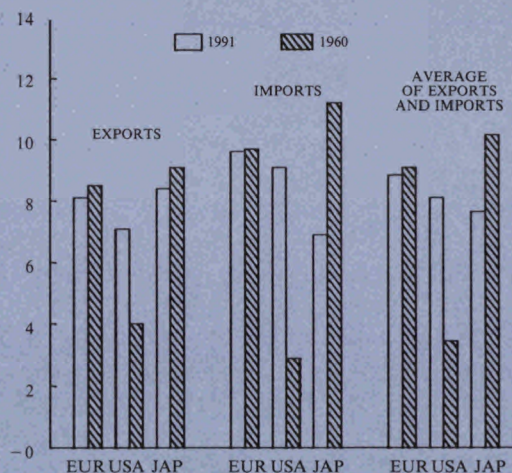
- In 1991 the degree of openness of the Community as a whole was slightly higher than that of the United States or Japan. The degree of openness, which is defined as the average of exports and imports of goods as a proportion of GDP, was 8.9 %, 8.1 % and 7.6 % respectively.
- Given that the degree of openness of an economy depends on its geographical, demographic and economic dimensions, caution is necessary in comparing the degree of openness of differently sized economies. However, the smaller degree of openness of the Japanese economy highlights the continued autarkic organisation of production and the presence of structural obstacles to imports in that country.
- Although the degree of openness of the Community as a whole has remained virtually stable since 1960, the degree of openness of the Member States, which includes intra-Community trade, has increased remarkably between 1960 and today. This clearly demonstrates the Community's role in encouraging the integration of the economies of the Member States.

GRAPH 1: Degree of openness of the major economies in 1991 (\*)



(\*) Trade in goods, as a percentage of GDP, in nominal terms.  
Source: Eurostat, Foreign Trade Statistics.

GRAPH 2: Changes in the degree of openness of the major economies (\*)



(\*) Trade in goods, as a percentage of GDP, in nominal terms.  
Source: Eurostat, Foreign Trade Statistics.

## INTRODUCTION

By increasing the economic and political interdependence of the Member States, the enlarged single market and its corollary, EMU, will confirm the Community's role as a major economic area in the world economy. In this context, as the theory of international trade shows, the degree to which this area's economy is open to its partners takes on particular importance for its international relations. It therefore seems appropriate to carry out a detailed analysis of the Community economy's degree of openness and its development vis-à-vis its main competitors.

### Degree of openness of an economy

The degree of openness of an economy is generally measured in terms of the ratio of its trade (exports, imports or the sum of both) to its gross domestic product.

Ideally, the broadest possible definition of foreign trade should be used to calculate an economy's degree of openness. Trade in both goods and services should therefore be taken into account. It would also be interesting to be able to examine the openness of economies with regard to capital flows. However, the balance-of-payments statistics available for the Community do not differentiate between intra-Community and extra-Community trade in services and capital. Since any comparison between the Community's degree of openness and that of other countries implies that only extra-Community trade needs to be considered, comparisons between the Community, the United States and Japan can be correctly carried out only on the basis of trade in goods. Consequently, the resultant degrees of openness are systematically underestimated.

Of the factors which influence an economy's degree of openness, the most important are: the ratio of imports to domestic demand — which measures the variation over time in the degree of import penetration in a particular economy — and the elasticity of trade in relation to output.

In this issue, the following indicators will be used: <sup>(1)</sup>

- The tables and graphs refer to the present Community of Twelve;
- trade in goods as a percentage of value GDP (in order to simplify comparisons, the average, and not the sum, of exports and imports is calculated; the basis is the foreign trade statistics);
- ratio of imports of goods and services to real domestic demand (national accounts basis);
- elasticity of exports and imports of goods and services in relation to real GDP (national accounts basis);

It should be stressed that an economy's degree of openness depends on its size, i.e. it tends to be in inverse proportion to the country's geographical, demographic and economic dimensions. The larger a country is, the greater the probability that trade flows between households and enterprises will take place within the national frontiers. As a result a very small economy will have a very high degree of openness, whereas the world will, by definition, have a degree of openness equal to zero.

Caution is therefore necessary, first, in comparing degrees of openness of different-sized economies and second, in temporal comparisons of the degree of openness of economic areas which are changing in geographical size. For example, the Community of Six and the Community of Nine, being smaller entities, had higher degrees of openness than the present Community of Twelve. Each enlargement has led to a reduction in extra-Community trade as a proportion of total trade.

That being the case, one may ask what is the optimum level for the degree of openness of an economy of a given size. In fact there is no absolute criterion by which to set a level considered to be sufficient or desirable for the degree of openness of a country or an area.

The degree of openness of an economy of a given size may be influenced by a variety of factors which change over time, e.g. transport costs, technological changes and investment costs and, in general, the degree of economic development of the country and of its main partners. It also depends on other factors, such as terms of trade and exchange rate levels which may alter it temporarily or permanently even though there has been no change in the country's volume of trade. For example, terms of trade have been strongly influenced by the wide variations in oil prices which produced great changes in the value of total merchandise imports of the major economies.

## THE OPENNESS OF ECONOMIES: DEVELOPMENTS IN THE THREE MAIN AREAS

### Present situation

In 1991 the degree of openness of the Community as a whole was slightly higher than that of the United States or Japan (Graph 1). The degree of openness, which is defined as the average of exports and imports of goods as a proportion of GDP, was 8.9 %, 8.1 % and 7.6 % respectively.

If the trade in services is taken into account, (on the assumption that it is apportioned between extra- and intra-Community trade in the same proportions as trade in goods) Table 1 shows, first, that the degree of openness of the economies of the three areas are higher and second, that the relative order does not change. The Community's economy remains slightly more open than that of the United States or Japan.

TABLE 1: Degree of openness of the major economies in 1991 (\*)

	EUR	USA	Japan
Goods	8.9	8.1	7.7
Goods and services <sup>(1)</sup>	10.8	10.4	10.0

(\*) As percentage of GDP, in nominal terms.

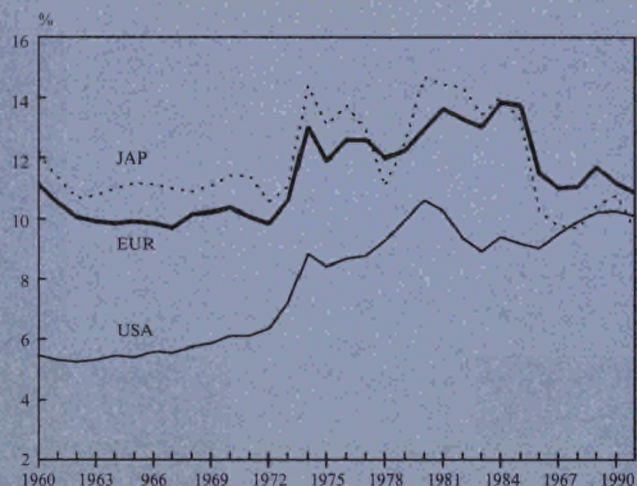
<sup>(1)</sup> Since data for extra-Community trade in services are not available, the figures relating to 'Goods and services' have been calculated on the assumption that the trade in services is apportioned between extra- and intra-Community trade in the same proportion as the trade in goods.

Source: Eurostat, Foreign Trade Statistics.

<sup>(1)</sup> The tables and graphs refer to the present Community of Twelve.

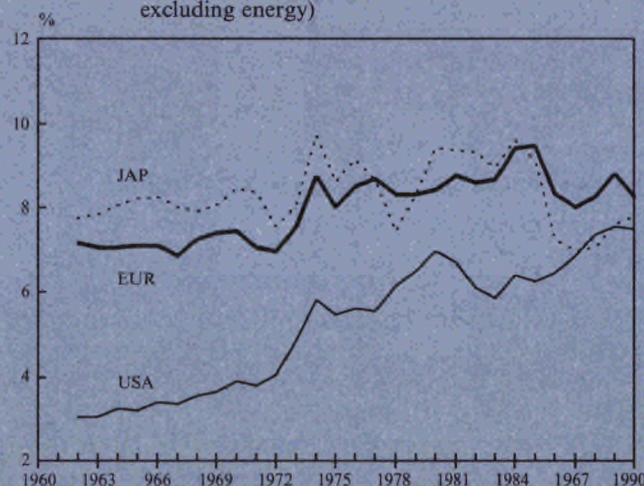


**GRAPH 3: Evolution of the degree of openness of the major economies (\*)**  
(Average of exports and imports)



(\*) Trade in goods, as a percentage of GDP, in nominal terms.  
Source: Eurostat, Foreign Trade Statistics.

**GRAPH 4: Evolution of the degree of openness of the major economies (\*)**  
(Average of exports and imports — excluding energy)



(\*) Trade in goods, percentage of GDP.  
Source: Eurostat, Foreign Trade Statistics.

In view of the comments made to begin with, caution is necessary in comparing Community and United States data on the one hand, and Japanese data on the other. The Community and the United States are two economies of a similar size, while Japan is smaller. As a result, one might have expected the Japanese economy to present a higher degree of openness than the Community or the United States economies.

Japan's smaller degree of openness is mainly due to the relatively small share of imports in GDP. The factors which give rise to this situation include, on the one hand, Japanese society's strong autarkic tradition and its geographical remoteness from the rest of the industrialized world and, on the other hand, a certain form of administrative protection. In particular the comparatively low volume of intra-industrial trade between Japan and the rest of the world — due to the vertical integration of its production structure — is often cited as one of the factors reducing Japanese imports.

### Developments since 1960

Graph 2 illustrates the degree of openness of the three main areas in 1960 and in 1991. In 1960, the degree of openness of the United States economy was half that of the Community, whereas that of the Japanese economy was a good deal higher.

The relative stability of this indicator for the Community contrasts with the wide variations observed for the United States and Japan. The United States, in particular, is now distinctly more open than it was thirty years ago; Japan, however, is far less open than in 1960. In both cases, and far more so for Japan, the value changes of the indicators are largely due to the trend in imports (as a percentage of GDP) which have increased sharply in the United States, whereas they were falling in Japan. This illustrates the importance of domestic demand and output in determining a country's degree of openness. By contrast, the slight decline in the Community's degree of openness is primarily due to the decline in exports as a percentage of GDP.

**TABLE 2: Gross domestic product and trade in goods and services for the major economies**  
Annual average changes — constant prices

	GDP	Exports	Imports	Elasticity of exports to GDP	Elasticity of imports to GDP
<b>EUR</b>					
1962-1971	4.60	8.00	8.60	1.74	1.87
1972-1981	2.70	5.20	3.90	1.93	1.44
1982-1991	2.40	4.60	5.30	1.92	2.21
<b>USA</b>					
1962-1971	3.90	5.20	7.50	1.33	1.92
1972-1981	2.60	7.30	3.80	2.81	1.46
1982-1991	2.70	6.80	7.20	2.52	2.67
<b>Japan</b>					
1962-1971	9.70	17.00	12.60	1.75	1.30
1972-1981	4.40	9.10	4.80	2.07	1.09
1982-1991	4.30	5.10	5.70	1.19	1.33

Source: Eurostat, Foreign Trade Statistics.



The evolution of the degree of openness of the leading industrialized countries between 1960 and 1991 has been strongly influenced on the one hand by fluctuations in oil prices, which soared on two successive occasions (1973/74 and 1979/80) and then fell (1986), and the value of imports, and on the other by exchange rate variations. A comparison of Graphs 3 and 4 clearly shows the strong influence of oil price variations on the value of trade, in particular for the Community and Japan. If energy is excluded, the degree of openness of these two areas followed a relatively more stable path.

Disregarding the two factors mentioned, it is, however, clear that the openness of the United States economy is on a definitely rising trend. This is due to the switch from a relatively autarkic economy connected with its large size to an economy more dependent on the rest of the world as a result of the liberalization of trade, the globalization of production and therefore increasingly intensive specialization.

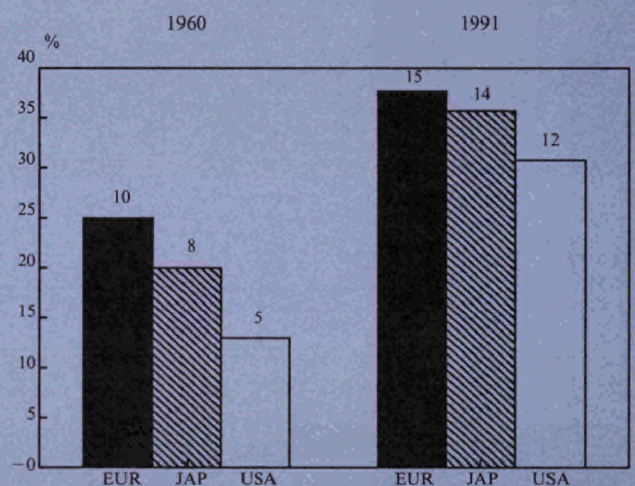
The degree of openness of the Community and Japanese economies followed a similar path until the first half of the 1980s (Graph 4). From 1986 on, the degree of openness of the Japanese economy declined appreciably more than that of the Community, mainly as a result of the depreciation of the United States dollar.

For the Community, the fall in this indicator from 1986 and its slight rise since 1988 are mainly due to the variation in the value of exports, i.e. above all to the consequential effects of the growth differentials between the Community and its main partners and to variations in the exchange rate.

As for the sharper contraction of the openness of the Japanese economy, this is the result at the same time of the fall in the value of exports and in that of imports as a percentage of GDP, a development which highlights the greater importance of domestic demand in that country. The growth of domestic demand has outstripped that of output. As a result, a greater proportion of domestic output has gone to satisfy domestic demand.

When the evolutions in real terms are taken into account, it can be seen (Table 2) that the elasticity of exports and of imports of

**GRAPH 5: The ratio of imports to domestic demand in the major economies(\*)**  
— 1960 and 1991 —

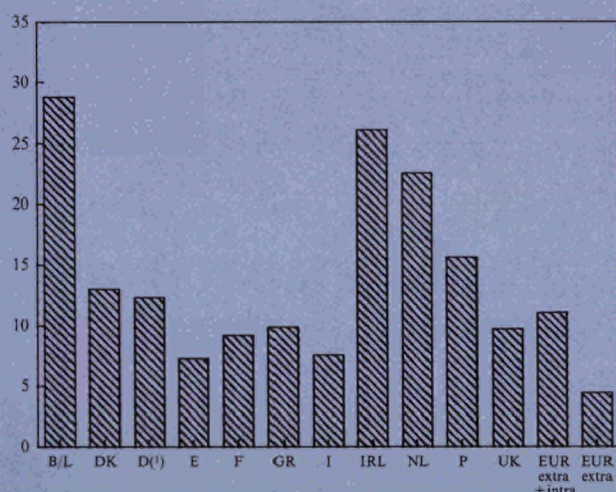


(\*) Trade in goods and services and domestic demand — at constant prices.  
Source: Eurostat, National Accounts.

goods and services at constant prices in relation to GDP has increased appreciably, particularly in the case of the Community and the United States, during the last decade. For Japan, the temporal analysis shows that the elasticity of exports is lower and the elasticity of imports barely higher than in the 1960s, a period during which the rates of change of production and trade volumes were exceptionally high in that country.

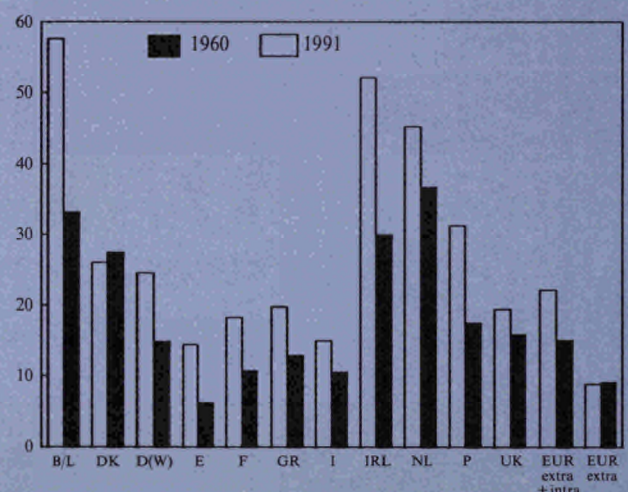
The ratio of imports to domestic demand (Graph 5) is higher over time for the Community than for the other areas. Nevertheless, this difference is tending to diminish: at the present time the indicators for the three large areas are similar. The sharp growth in the propensity to import of the leading industrialized countries since 1960 shows that during the last thirty years the development of the propensity to import not directly linked to variations in domestic demand has been far

**GRAPH 6: Degree of Member States in 1991(\*)**  
(Average of exports and imports)



(\*) Trade in goods, as a percentage of GDP, in nominal terms.  
(l) West-Germany.  
Source: Eurostat, Foreign Trade Statistics.

**GRAPH 7: Changes in the degree of openness of Member States(\*)**



(\*) Trade in goods, percentage of GDP, in nominal terms.  
(l) 1991 was strongly influenced by the unfavourable economic cycle. During the second half of the 1980s, the openness of the Danish economy was higher than that recorded in the 1960s.  
Source: Eurostat, Foreign Trade Statistics.

**TABLE 3: Evolution in the degree of openness of Member States(\*)**  
Average of exports and imports

	B/L	D	DK	E	F	GR	I	IRL	NL	P	UK	EUR extra + intra	EUR extra
1961-1970	37.3	15.7	24.5	8.1	10.7	12.0	11.5	31.5	35.3	19.1	15.1	15.3	8.1
1971-1980	48.1	20.0	24.7	11.0	16.0	16.8	17.4	43.9	39.9	22.2	21.1	20.4	9.8
1981-1990	60.7	25.1	27.2	14.9	18.4	20.1	17.6	50.9	47.1	35.2	29.6	23.3	10.4

(\*) Trade in goods, as a percentage of GDP, in nominal terms.

Source: Eurostat, Foreign Trade Statistics.

more significant than that of imports linked to variations in demand.

## THE OPENNESS OF THE ECONOMIES OF MEMBER STATES

### Present situation

Since an economy's degree of openness is in inverse correlation to its size, it is not surprising to find that, first, individually, the Member States are more open than the Community as a whole, and that, second, small countries are generally remarkably more open than the others (Graph 6).

On average, the degree of openness of the Member States is more than twice as high as that of the Community as a whole. This is due to the fact that, at present, intra-Community trade represents over 50 % of total trade.

### Developments since 1960

There has been a remarkable increase in the degree of openness of the Member States between 1960 and today (Graph 7). By contrast, during the same period, the degree of openness of the Community as a whole (extra-Community trade) has remained virtually stable. It is therefore possible to conclude that the greater openness of the economies of the Member States is the result of the sharp growth of intra-Community trade.

This clearly demonstrates the Community's role in encouraging the integration of the economies of the Member States. Further, the Community economies have become steadily more inter-dependent with the passing of time (Table 3). In addition, the growing synchronization of economic developments in the Member States, as well as external shocks or the movements of the world economic cycle, have not prevented a steady advance in the degree of openness of their economies.

27 April 1992



TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1987	1988	1989	1990	1991	1990					1991					1992					Change over 12 months (%) (b)
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.				
B	2.2	5.7	3.5	5.1	-2.3	2.4	-3.0	-1.5	(-3.5)	(4.0)	-0.3	(2.8)	(-0.2)	(3.9)	(0.0)	:	:			(-6.9)	
DK	-3.5	1.9	2.3	0.6	2.2	0.6	0.4	1.5	2.3	-2.8	-5.9	0.5	1.8	-5.6	2.7	1.1	0.5			1.9	
D	0.3	3.7	5.3	5.2	2.8	1.5	0.4	1.4	-1.2	-0.7	-2.0	1.3	-0.7	0.2	-1.1	0.8	1.1			2.0	
GR	-1.7	5.7	1.5	-1.9	-1.9	4.6	-3.6	0.3	2.4	-4.5	0.4	5.6	-7.9	-0.2	0.0	4.5	:			2.3	
E	4.6	3.1	4.5	0.0	-0.1	-0.4	-1.6	1.7	-0.1	:	-0.7	0.3	5.8	:	:	:	:			6.3	
F	1.9	4.6	4.2	1.7	-0.4	-1.0	0.5	-0.6	0.5	0.7	0.8	-1.0	1.2	0.0	-0.1	0.9	-0.6			-0.2	
IRL	8.8	10.7	11.6	4.7	3.4	-0.5	1.1	-2.3	3.4	3.1	4.8	2.0	-0.3	4.0	-6.2	7.9	:			8.9	
I	2.6	6.9	3.9	-0.7	-2.0	-1.8	0.1	-0.9	-1.4	0.6	-0.8	2.4	-1.7	4.6	-5.9	3.9	0.8			1.4	
L	-0.9	8.7	7.8	-0.5	0.5	-4.3	1.4	1.4	-0.2	-0.4	1.6	2.7	-5.0	5.4	-3.1	:	:			0.3	
NL	0.9	-0.1	4.7	3.2	3.8	1.8	1.8	-0.5	-2.9	3.6	0.4	-3.6	5.4	1.2	-0.6	1.7	:			2.4	
P	4.4	3.8	6.8	9.0	0.6	0.9	-0.9	-2.6	1.7	:	-1.5	3.9	:	:	:	:	:			1.6	
UK	3.2	3.6	0.4	-0.5	-3.0	-1.7	-0.2	-1.3	1.0	-0.3	-1.6	0.2	0.5	-0.4	-0.4	-1.2	1.2			-3.1	
EUR 12	2.0	4.2	3.8	1.9	(-0.3)	-0.1	0.2	-0.4	(-0.6)	(0.2)	-1.4	(0.8)	(0.5)	(0.3)	(-1.7)	(1.7)	(0.3)			(0.1)	
USA	6.1	5.8	2.9	0.9	-2.3	-1.9	-2.7	0.6	1.7	0.0	0.2	0.4	0.1	-0.3	-0.5	-0.6	(0.6)			(2.0)	
JAP	3.0	9.8	6.1	4.7	2.1	1.7	-0.1	-0.6	0.2	-1.1	-2.5	0.5	-0.1	0.0	-1.3	-0.8	(-0.6)			(-4.2)	

TABLE A.2: Unemployment rate (i) — Number of unemployed as percentage of civilian labour force (s.a.)

	1987	1988	1989	1990	1991	1991				1992	1991				1992			Change over 12 months (c)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B	11.3	10.2	8.6	7.8	8.3	8.1	8.2	8.3	8.5	8.7	8.4	8.5	8.5	8.6	8.6	8.7	8.8	0.7
DK	5.6	6.4	7.7	8.0	8.6	8.2	8.6	8.9	8.9	8.9	8.9	8.9	9.0	8.9	8.8	8.8	9.0	0.8
D	6.3	6.3	5.6	4.8	4.3	4.3	4.3	4.4	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3	0.1
GR	7.4	7.6	7.4	7.0	7.0													
E	20.4	19.3	17.1	16.2	15.9	15.9	15.9	15.7	16.2	16.2	15.8	16.3	16.3	16.2	16.2	16.2	16.3	0.5
F	10.4	9.9	9.4	9.0	9.5	9.1	9.4	9.7	9.8	9.9	9.7	9.8	9.8	9.9	9.9	10.0	9.9	0.8
IRL	18.0	17.3	15.7	14.5	16.1	15.2	16.0	16.5	16.8	17.1	16.6	16.7	16.8	16.8	16.9	17.1	17.3	1.8
I	10.3	10.8	10.6	9.8	10.2	10.0	10.1	10.3	10.6	10.7	10.4	10.6	10.5	10.6	10.6	10.7	10.9	0.9
L	2.5	2.0	1.8	1.7	1.6	1.5	1.6	1.7	1.7	1.8	1.7	1.7	1.7	1.6	1.7	1.9	1.8	0.4
NL(g)	10.0	9.3	8.5	7.5	7.0	7.3	7.1	6.8	7.1		6.7	6.9	7.3	7.1	6.8	6.7		-0.6
P	6.9	5.7	5.0	4.5	3.8	3.9	3.9	3.8	3.7	3.9	3.7	3.7	3.7	3.7	3.9	3.9	4.0	0.1
UK	10.4	8.5	7.1	7.0	9.1	8.1	8.9	9.6	9.9	10.3	9.7	9.8	9.9	10.1	10.2	10.3	10.4	1.9
EUR 12	10.3	9.8	8.9	8.3	8.8	8.4	8.7	8.9	9.1	9.2	8.9	9.0	9.1	9.1	9.1	9.2	9.2	0.8
USA (g)	6.2	5.5	5.3	5.5	6.7	6.5	6.8	6.8	7.0	7.2	6.8	6.9	6.9	7.1	7.1	7.3	7.3	0.6
JAP (g)	2.8	2.5	2.3	2.1	2.1	2.1	2.1	2.2	2.1		2.1	2.0	2.1	2.1	2.1	2.0		0.0

TABLE A.3: Consumer price index — Percentage change on preceding period

	1987	1988	1989	1990	1991	1991				1992	1991				1992			Change over 12 months (%)(b)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B	1.6	1.2	3.1	3.4	3.2	0.6	0.3	1.1	0.5	0.4	-0.1	0.4	0.3	-0.2	0.3	0.3	0.0	2.7
DK	4.0	4.5	4.8	2.6	2.4	0.0	0.9	0.3	0.8	0.2	0.6	0.2	0.4	-0.3	-0.2	0.5	0.4	2.6
D	0.2	1.3	2.8	2.7	3.5	0.8	0.9	1.5	0.7	1.2	0.2	0.3	0.4	0.1	0.4	0.6	(0.4)	(4.8)
GR	16.4	13.5	13.7	20.4	19.5	2.4	5.9	2.3	6.3	2.7	4.1	1.9	1.6	1.7	0.1	0.3	2.0	18.3
E	5.3	4.8	6.8	6.7	6.0	1.3	0.7	2.1	1.4	2.2	0.8	0.6	0.2	0.1	1.5	0.7	0.4	6.8
F	3.1	2.7	3.6	3.4	3.2	0.5	0.7	0.8	0.8	0.7	0.2	0.4	0.3	0.1	0.3	0.3	(0.3)	(3.2)
IRL (h)	3.1	2.2	4.1	3.3	3.1	0.8	0.8	1.3	0.6	0.9	0.2	0.2	0.2	0.3	0.3	0.3	:	3.7
I	4.7	5.1	6.2	6.5	6.4	1.8	1.4	1.2	1.5	1.5	0.5	0.6	0.6	0.3	0.8	(0.3)	(0.4)	(5.4)
L	-0.1	1.4	3.4	3.7	3.1	0.3	0.2	1.1	0.9	0.7	0.2	0.3	0.6	0.0	0.4	0.0	0.4	3.0
NL	-0.4	0.9	1.1	2.4	4.0	0.7	1.0	2.0	1.0	0.2	0.6	0.4	0.2	-0.1	-0.3	0.4	0.6	4.3
P	9.4	9.6	12.7	13.2	10.9	3.3	2.3	1.7	1.5	2.7	0.2	0.6	0.5	0.6	0.9	1.3	0.9	8.6
UK	4.1	4.9	7.8	9.5	5.9	0.6	2.1	0.4	1.0	0.5	0.4	0.4	0.4	0.1	-0.1	0.5	0.3	4.0
EUR 12	3.2	3.6	5.1	5.6	5.0	1.0	1.3	1.2	1.1	1.1	0.4	0.4	0.4	0.1	0.4	0.5	(0.4)	(4.8)
USA	3.7	4.1	4.8	5.4	4.2	0.8	0.6	0.8	0.8	0.7	0.4	0.1	0.3	0.1	0.1	0.4	0.5	3.2
JAP	0.1	0.7	2.3	3.1	3.3	0.5	1.0	0.0	1.2	-0.4	0.2	1.1	0.2	-0.5	-0.2	-0.1	0.5	2.0

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

	1987	1988	1989	1990	1991	1990					1991					1992					Change over 12 months (d)
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.				
B/L	-580	-2543	-2107	-5655	-7295	-1908	-1412	-1635	-2259	-1970	-657	-696	-563	-648	-759	-449	-888	-374			
DK	98	925	1225	1951	2318	529	393	572	636	674	295	238	136	285	253	254	333	205			
D (i)	56961	60935	64055	44036	9245	3789	3092	-1493	1136	3241	1437	90	458	1171	1612	116	:	-795			
GR	-5692	-5825	-7783	-9228	-10342	-1713	-2465	-2222	-2035	-3387	-748	-768	-815	-1510	-1062	-893	-872	96			
E	-8749	-11974	-19802	-19232	-21285	-4659	-4644	-4943	-5837	-5624	-1626	-1920	-1768	-2053	-1803	-2252	-1568	-395			
F	-12471	-11855	-13986	-17275	-13811	-4824	-4667	-3213	-4130	-2083	-1333	-1088	-119	-548	-1416	-253	-655	850			
IRL	2046	2741	3049	2505	2701	485	539	523	618	890	260	238	326	324	240	418	:	205			
I	-7429	-8388	-11098	-9273	-10439	-2651	-1285	-3187	-3540	-2311	-738	-1334	-1157	-1097	-57	-377	-1126	-843			
NL	1087	1296	2895	-329	-2913	-606	-276	-1128	-1101	-715	-45	-521	-210	32	-537	:	:	-497			
P	-2955	-3473	-5033	-6239	-7492	-1825	-1749	-1882	-1968	-1922	-553	-679	-638	-580	-704	-438	-585	-26			
UK	-20890	-42384	-41826	-30906	-22327	-5654	-6318	-5210	-5552	-4974	-1835	-2315	-1471	-2080	-1423	-1764	-2473	-642			
EUR 12 (i)	1423	-20548	-30416	-49647	-81642	-18604	-18796	-23807	-24003	-18108	-5513	-8758	-5764	-6649	-5695	(-5153)	:	(3156)			
USA	-132116	-100208	-99430	-80004	-53214	-18850	-12588	-11009	-16471	-13146	-5551	-5741	-5217	-3315	-4613	-4454	:	980			
JAP	69636	65441	58691	41167	62943	6164	12735	15367	16979	17862	5828	6032	5684	6064	6114	6471	8260	4545			

TABLE A.6: Short-term interest rates (m)

	1987	1988	1989	1990	1991	1991				1992				1991				1992				Change over 12 months (c)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March					
B	7.1	6.7	8.7	9.8	9.4	9.7	9.2	9.2	9.5	9.6	9.3	9.3	9.5	9.7	9.5	9.6	9.7	0.3				
DK	9.9	8.3	9.4	10.8	9.5	10.0	9.5	9.4	9.3	9.8	9.6	9.4	9.1	9.3	9.8	9.8	9.8	-0.2				
D	4.0	4.3	7.1	8.4	9.2	9.1	9.0	9.2	9.4	9.6	9.2	9.3	9.4	9.5	9.5	9.6	9.7	0.6				
GR	14.9	15.9	18.7	19.9	22.7	25.5	19.8	21.2	24.5		20.2	18.7	26.1	28.6	22.7	26.8		0.1				
E	15.8	11.6	15.0	15.2	13.2	14.5	13.0	12.6	12.8	12.7	12.4	12.6	12.7	12.9	12.9	12.8	12.6	-1.2				
F	8.3	7.9	9.4	10.3	9.6	9.8	9.4	9.5	9.7	10.1	9.4	9.3	9.5	10.1	10.0	10.1	10.1	0.7				
IRL	11.1	8.1	9.8	11.4	10.4	11.1	10.3	10.0	10.3	10.5	10.0	10.2	10.2	10.5	10.5	10.5	10.6	-0.2				
I	11.4	11.3	12.7	12.3	12.2	13.2	11.7	11.9	12.0	12.2	11.8	11.5	11.8	12.7	12.1	12.2	12.3	-0.5				
NL	5.4	4.8	7.4	8.7	9.3	9.2	9.2	9.3	9.5	9.6	9.3	9.3	9.4	9.7	9.6	9.6	9.6	0.5				
P	13.9	13.0	14.8	16.9	17.7	17.5	17.5	17.9	17.8	17.4	17.9	17.8	17.7	17.8	17.8	17.4	16.9	-0.8				
UK	9.7	10.3	13.9	14.8	11.5	13.2	11.6	10.8	10.6	10.5	10.3	10.4	10.5	10.8	10.7	10.4	10.6	-1.8				
EUR 12(n)	8.9	8.5	10.9	11.7	11.0	11.7	10.7	10.7	10.8	11.0	10.5	10.5	10.8	11.2	10.9	11.0	11.1	-0.1				
USA	5.9	6.9	8.4	7.8	5.5	5.9	5.7	5.5	4.7	4.0	5.4	5.1	4.7	4.2	3.9	3.9	4.1	-1.0				
JAP	3.9	4.0	5.4	7.7	7.4	8.1	7.9	7.2	6.2	5.1	6.8	6.4	6.2	6.1	5.2	5.2	5.0	-3.2				

TABLE A.7: Long-term interest rates (o)

	1987	1988	1989	1990	1991	1991				1992				1991				1992				Change over 12 months (c)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March					
B	7.8	7.9	8.7	10.1	9.3	9.5	9.2	9.3	9.1	8.8	9.2	9.2	9.2	9.0	8.7	8.7	8.9	-0.5				
DK	11.9	10.6	10.2	11.0	10.1	10.4	10.1	9.9	9.9	9.8	10.0	9.9	10.0	9.9	9.8	9.8	10.0	-0.3				
D	5.8	6.1	7.0	8.9	8.6	8.7	8.5	8.8	8.6	8.1	8.7	8.6	8.6	8.5	8.1	8.1	8.1	-0.4				
GR	17.4	16.6																				
E	12.8	11.8	13.8	14.7	12.4	14.7	12.1	11.9	11.8	11.4	11.6	11.6	11.8	11.9	11.6	11.3	11.3	-1.9				
F	9.4	9.0	8.8	9.9	9.0	9.3	9.0	9.0	8.8	8.5	8.9	8.8	8.9	8.7	8.4	8.4	8.8	-0.4				
IRL	11.3	9.4	9.0	10.1	9.2	9.3	9.1	9.3	9.1	8.8	9.2	9.2	9.1	9.0	8.8	8.8	8.7	-0.4				
I	11.3	12.1	12.9	13.4	13.0	13.6	12.8	12.8	12.6	12.7	12.8	12.6	12.5	12.7	12.7	12.7	12.7	-0.8				
L	8.0	7.1	7.7	8.6	8.2	8.2	8.2	8.1	8.1		8.1	8.1	8.1	8.1	7.7	7.5		-0.8				
NL	6.4	6.3	7.2	9.0	8.9	9.1	8.8	9.0	8.9	8.5	9.0	8.9	8.9	8.9	8.6	8.4	8.5	-0.4				
P	15.4	14.2	14.9	16.8	17.1	16.8	17.3	17.4	17.9	16.4	17.8	17.1	16.6	20.0	16.9	16.5	15.9	-1.1				
UK	9.5	9.3	9.6	11.1	9.9	10.0	10.2	9.8	9.7	9.4	9.5	9.6	9.7	9.6	9.3	9.2	9.7	-0.3				
EUR 12(n)	9.3	9.3	9.9	11.1	10.4	10.7	10.3	10.3	10.1	9.9	10.2	10.1	10.1	10.1	9.8	9.8	9.9	-0.6				
USA	8.7	9.0	8.5	8.6	8.1	8.2	8.3	8.2	7.9	7.8	8.0	7.9	7.9	7.7	7.6	7.9	8.0	-0.3				
JAP	4.7	4.7	5.2	7.5	6.7	6.9	7.1	6.8	6.1	5.7	6.5	6.2	6.2	6.0	5.6	5.8	5.7	-1.3				

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1987	1988	1989	1990	1991	1991				1992				1991				1992				Change over 12 months (b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
BFR/LFR	43.04	43.43	43.38	42.43	42.22	42.22	42.35	42.26	42.06	42.05	42.16	42.06	41.96	42.00	42.08	42.06	42.13	-0.7				
DKR	7.88	7.95	8.05	7.86	7.91	7.88	7.90	7.93	7.92	7.92	7.91	7.93	7.93	7.92	7.93	7.93	7.94	0.5				
DM	2.07	2.07	2.07	2.05	2.05	2.05	2.06	2.05	2.04	2.04	2.05	2.04	2.04	2.04	2.04	2.04	2.05	-0.7				
DR	156.1	167.5	178.8	201.3	225.2	219.2	224.4	226.2	231.0	235.9	228.3	231.1	233.5	235.4	236.1	236.3	239.4	7.1				
PTA	142.2	137.6	130.4	129.4	128.5	128.3	127.6	128.5	129.4	128.9	129.1	129.1	130.0	129.2	128.4	129.0	129.0	1.3				
FF	6.93	7.04	7.02	6.91	6.97	6.97	6.97	6.98	6.97	6.95	6.98	6.98	6.96	6.96	6.96	6.94	6.93	-0.6				
IRL	0.775	0.776	0.777	0.768	0.768	0.769	0.769	0.768	0.765	0.766	0.766	0.765	0.765	0.766	0.766	0.766	0.768	-0.4				
LIT	1495	1537	1511	1522	1533	1536	1528	1532	1537	1536	1531	1538	1541	1537	1536	1536	1542	0.9				
HFL	2.33	2.34	2.34	2.31	2.31	2.31	2.32	2.31	2.30	2.30	2.31	2.30	2.30	2.30	2.30	2.30	2.31	-0.8				
ESC	162.5	170.1	173.4	181.1	178.7	180.6	179.3	176.5	178.3	176.2	176.1	178.0	180.7	176.6	175.9	176.0	175.0	-2.3				
UKL	0.705	0.664	0.673	0.714	0.701	0.702	0.695	0.699	0.708	0.713	0.703	0.708	0.713	0.714	0.711	0.713	0.707	2.2				
USD	1.154	1.183	1.102	1.271	1.238	1.339	1.186	1.177	1.256	1.262	1.211	1.258	1.300	1.294	1.262	1.230	1.242	2.7				
YEN	166.5	151.5	151.8	183.6	166.4	179.0	164.2	160.6	162.6	162.2	158.3	163.0	166.6	161.9	161.0	163.5	165.8	-0.1				
DTS	0.892	0.880	0.860	0.937	0.905	0.947	0.887	0.881	0.907	0.909	0.889	0.908	0.924	0.918	0.908	0.901	0.906	1.2				

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1987	1988	1989	1990	1991	1991				1992				1991				1992				Change over 12 months (b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B/L	4.1	-1.3	-0.9	5.2	-0.3	0.2	-2.2	0.1	1.4	0.2	0.0	0.9	0.8	-0.3	-0.4	-0.2	0.0	1.3				
DK	4.2	-1.9	-2.7	7.6	-1.9	-0.5	-3.1	-0.6	1.5	0.3	-0.1	0.8	0.9	-0.1	-0.5	-0.3	0.2	0.6				
D	6.9	-0.8	-1.3	5.7	-1.1	-0.2	-3.6	0.2	2.1	0.4	0.0	1.5	1.2	-0.4	-0.7	-0.3	0.2	2.2				
GR	-9.9	-7.2	-7.5	-8.0	-11.5	-4.5	-4.7	-1.0	-1.0	-1.9	-0.5	-0.4	-0.3	-1.0	-0.6	-0.3	-1.0	-5.9				
E	0.2	3.1	4.1	5.1	-0.3	1.0	-2.3	-0.9	0.6	0.7	-0.5	1.0	0.2	0.3	0.2	-0.8	0.3	-0.4				
F	1.1	-2.3	-1.3	6.1	-2.1	-1.2	-2.8	-0.2	1.4	0.7	-0.2	1.1	1.1	-0.2	-0.4	0.1	0.6	1.8				
IRL	-2.1	-1.4	-1.3	5.8	-1.3	-0.5	-2.6	0.1	1.7	0.2	0.1	1.1	0.8	-0.3	-0.4	-0.2	-0.2	1.5				
I	1.1	-3.5	0.4	3.7	-2.0	0.2	-2.5	-0.5	1.1	0.3	0.0	0.6	0.7	0.0	-0.3	-0.3	-0.1	0.1				
NL	5.1	-0.4	-1.0	3.9	-0.7	0.0	-2.2	0.1	1.3	0.3	0.0	0.9	0.8	-0.2	-0.4	-0.2	0.0	1.5				
P	-7.1	-5.1	-3.2	-1.3	0.6	0.1	-1.4	1.6	0.0	1.5	-0.1	-0.4	-0.8	2.2	0.1	-0.3	0.8	3.3				
UK	-1.0	5.7	-3.4	-0.8	0.4	-0.4	-2.9	-0.9	0.4	-0.3	-0.7	0.7	0.3	-0.5	0.0	-0.9	1.4	-1.2				
EUR 12	7.0	-1.6	-3.0	11.5	-3.3	-0.8	-7.4	-0.6	3.4	0.8	-0.5	2.7	2.2	-0.7	-1.0	-0.8	0.9	2.6				
USA	-12.1	-6.1	4.9	-6.2	-0.7	1.6	7.4	0.0	-4.7	0.5	-1.0	-2.0	-1.7	-0.1	2.2	2.6	-0.5	-1.1				
JAP	8.2	10.4	4.4	-10.2	8.6	-1.3	1.9	1.8	2.4	1.0	2.8	-0.7	-0.1	2.8	-0.7	-2.9	-0.9	2.2				

## Principal economic policy measures — February-March 1992

### Community (EUR 12)

10.2 Ecofin Council: The Council carried out the multilateral surveillance exercise envisaged under the convergence decision of March 1990.

10.2 Ecofin Council: The Council favourably examined the content of the Irish convergence programme.

### Belgium (B)

24.2 The central bank cuts its seven-day intervention rate from 9.40 % to 9.30 %.

16.3 As part of the moves towards EC harmonization of VAT rates, the Government scrapped the 17 %, 25 % and 33 % rates, retained the 6 % reduced rate together with zero-rating for newspapers and periodicals, introduced a second reduced rate of 12 % and raised the standard rate from 19 % to 19.5 %. These decisions take effect on 1 April 1992. The Government also raised excise duties on petrol and derv. The upshot is that the price of petrol remains unchanged while the price of derv will increase by BFR 1,37 per litre. The budgetary yield of these measures is put at BFR 10 751 billion on an annual basis (BFR 6,6 billion for 1992) while their impact on the consumer price index is estimated at 0,07 percentage point.

16.3 The Government adopted a number of measures aimed at reducing expenditure, including a ceiling on departmental operating expenditure equal to 95 % of the forecasts contained in the initial budget (BFR 1,2 billion), lower disbursements from the investment appropriations of the Defence Ministry (BFR 1,5 billion), a 1,75 % limit on civil service recruitment (BFR 0,3 billion), the recovery of some of the central government's rental claims on the regional authorities and the language communities (BFR 0,9 billion), and a reduction in the number and staff size of ministries (BFR 0,6 billion). These changes are expected to save BFR 6,1 billion.

27.3 The Government adopted all the budgetary and social measures planned last summer. The measures will yield BFR 42 billion: BFR 30,7 billion under the 1992 budget and BFR 11,3 billion in connection with social security. In the budgetary field, the Government is discontinuing the investment allowance with effect from 27 March 1992. These measures are in addition to those adopted on 16 March. The Government is also pressing ahead with its efforts to keep to the budget deficit of BFR 405,4 billion envisaged in the initial budget.

### Denmark (DK)

None.

### Germany (D)

14.2 A bill changing various tax laws is passed by the lower and upper houses of Parliament. The key points are VAT will rise to 15 % (up 1 percentage point) as of 1 January 1993, with the proceeds going exclusively to the eastern Länder in 1993/1994. The share of the Länder in VAT revenue will rise to 37 % (up 2 percentage points) for the same period. The bill also stipulates some tax relief for companies, and higher housing subsidies and child benefits.

### Greece (GR)

3.2 The Ministry of Finance increases the property tax valuations for real estate in the Greater Athens area by between 60 % and 160 % per square metre.

5.2 Transposition into Greek law of four Community Directives concerning the stock exchange. These relate to: insider information; transparency requirements for the ownership of and major holdings in quoted companies; conditions and requirements for the prospectuses to be published when securities are offered to the public; and mutual recognition of such prospectuses.

26.2 The Greek Monetary and Credit Committee decided to allow the banks to use the non-allocated parts of the funds earmarked for the financing of handicraft (currently 8 % of the increase in deposits) in the interbank market

(minimum amount: DRA 50 million; minimum duration: 6 months). It also decided to apply stricter requirements for the establishment of a banking business.

### Spain (E)

25.2 The Bank of Spain cuts the intervention rate by 0.25 of a point to 12.40 %.

### France (F)

18.2 The Caisse des Dépôts et Consignations, regulating institution of the financial markets, will increase corporate sector equity capital.

1.3 Minimum wage (SMIC) up by 2 % in March.

12.3 Some fiscal measures have been taken to assist the construction industry.

### Ireland (IRL)

None.

### Italy (I)

None.

### Luxembourg (L)

None.

### Netherlands (NL)

24.1 Government decides on a regulation, effective from 1 February, requiring the disclosure of holdings of 5 % or more in a single company.

20.2 The Nederlandsche Bank cuts its special secured loans rate from 9.40 % to 9.30 %, from 21 February.

13.3 For the period March 1992-February 1993, the Finance Ministry's credit ceiling with the Nederlandsche Bank is fixed at HFL 5,58 billion as against HFL 5,025 billion for the preceding period. The Nederlandsche Bank undertakes to purchase Treasury bills up to an amount of HFL 5,58 billion and not to allow the amount outstanding of such bills to exceed on average one third of that figure, i.e. HFL 1,86 billion.

### Portugal (P)

1.2 The Government increases by an average of 8 % (official forecast for inflation in 1992) the administered prices of goods and services (urban transport, electricity, telephone, etc.), almost all of which are provided by public enterprises.

21.2 The Government increases the minimum wage in industry, the service sector and agriculture by 11 %, retrospective to 1 January 1992.

27.3 Following the cut in interest rates, the Bank of Portugal announced a reduction in the non-interest-bearing deposit with the central bank from 40 % to 30 % of the amount of borrowings abroad.

### United Kingdom (UK)

10.3 The main measures in the 1992 budget are: a reduced rate of income tax on the first UKL 2 000 of income, a halving to 5 % in the special tax applied to the wholesale price of cars, and reductions in business property taxes. The overall direct effect, including other measures such as real increases in certain excise duties, is a reduction in budgetary income of UKL 2,2 billion in 1992-93 and UKL 2,6 billion in 1993-94. Taking account of tax measures already announced, the direct cost in 1992-93 is UKL 1,5 billion (1,4 % of GDP). The PSBR for 1992-93 was forecast at 4 1/2 % of GDP, up from an estimated outturn of 2 1/4 % of GDP in 1991-92. The budget also includes an announcement of the proposed reform of the UK's current budgetary procedure, under which public expenditure decisions are announced in the Autumn Statement in November and taxation decisions in the March Budget. The budget in the spring of 1993 will be the last under the present arrangements. From December 1993, a single budget will include both taxation and expenditure announcements for the following financial year.

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